

CHAPTER 13-02-11

MINIMUM GUIDELINES FOR REPORT OF EXAMINING COMMITTEE

Section

13-02-11-01

Purpose

13-02-11-02

Report of Examining Committee

13-02-11-01. Purpose. This chapter is intended to establish minimum guidelines for the report of examining committee or examination by the board of directors, annual independent certified public accountant audit, or auditors of the bank holding company, or examination by internal audit control system for report of examining committee pursuant to section 6-03-69. While the guidelines set forth in this chapter are deemed to be minimum procedures, additional procedures may be deemed prudent as determined to meet the individual needs of the bank by its directors. This chapter is further intended to safeguard the depositors of state banking associations by the establishment of procedures and provide accurate evaluations of the assets and liabilities of the bank.

History: Effective April 1, 1989.

General Authority: NDCC 6-01-04

Law Implemented: NDCC 6-03-69

13-02-11-02. Report of examining committee. Examinations conducted by the board of directors, its examining committee, or auditors of the bank holding company, or examination by an internal audit control system for its annual report, may include the following minimum procedures to comply with the report requirement of section 6-03-69. An independent certified public accountant or accounting firm retained by the bank to perform the annual report of examining committee examination requirement, may review bank internal procedures or controls covering the following minimum procedures. In the absence of any internal procedures or controls, the determination or review of the following minimum procedures may be performed by the board of directors or its examining committee, auditors of the bank holding company, or internal audit control system:

1. Bank operations and asset accounts:
 - a. Determine if bank reconciliations of all general ledger accounts are performed on a timely basis and are accurate for all major accounts.
 - b. Determine if the bank has written policies and procedures that are periodically reviewed and are being followed concerning major areas of bank operations. Also determine if internal controls are adequate and are being following.
 - c. Balance nonledger assets and review files.
 - d. Determine if other real estate owned (OREO) was written to its value at the time title of property was taken, and is currently carried

at an amount not in excess of the value of the property. Review all transactions to ensure they are proper.

2. Loans, leases and discounts, and allowance for loan and lease losses:
 - a. Determine if the bank has written policies that are being reviewed and approved at least annually and are being adhered to.
 - b. Determine that an internal "watch list" is accurate and loans that are not "bankable" are eliminated by charge-off in a timely manner. In the absence of an internal "watch list", review and determine the value of collateral and other credit information existing to support the carrying amount of the loan.
 - c. Review the portfolio to ensure that applicable rules and regulations are being adhered to, inclusive of loans to directors, officers, and other insiders.
 - d. Determine if the allowance for loan and lease losses is reviewed by management or the board of directors, or both, at least quarterly to coincide with the call reporting requirements and accurately reflects the risk in the loan portfolio.
3. Security investments and trading accounts:
 - a. Determine that investment policies are adequate for the needs of the bank and are being adhered to.
 - b. Review the portfolio to ensure that all applicable rules and regulations are being adhered to.
 - c. Determine if any investments exist that are carried in excess of the net value.
4. Liquidity capital accounts and income and expenses:
 - a. Review all capital account entries to determine appropriateness and compliance with rules and regulations, if applicable.
 - b. Review income and expense items to ensure they are appropriate and properly recorded.
5. Trust department (if applicable): review internal controls and procedures to determine that such controls and procedures are in place and are being adhered to.

6. Bank subsidiaries (if applicable): determine that the value of the subsidiary supports the value that the bank is carrying as its investment in the subsidiary.

History: Effective April 1, 1989.

General Authority: NDCC 6-01-04

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